# Emergency Communications District of Shelby County, Tennessee

## (A Component Unit of Shelby County, Tennessee)

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**Financial Statements and Supplementary Information**

**Year Ended June 30, 2022**

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Management and Government Officials**
**June 30, 2022**

## Emergency Communications District Management Staff

Raymond Chiozza, Director *
Carmen Tyler, Accounting Manager
Sue Robinson, Public Education Coordinator
Carlton Ray, Director of Network Systems
Harold Truebger, 911 Information Systems Lead
Timothy Zimmer, Director of GIS

## Emergency Communications District Board of Directors

Patrick Carter, Chair
Glen Kneeland, Vice Chair
Mendi Shull, Secretary Treasurer
Bruce Kramer, Member
Mary Balee, Member
Rex Hollaway, Member
Stephanie Love, Member
Brenda Jones, Member

*** -** Employee with financial oversight responsibility

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Shelby County, Tennessee

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying statement of net position of the Emergency Communications District of Shelby County, Tennessee, (the "District"), a component unit of Shelby County, Tennessee, as of and for the year ended June 30, 2022, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the respective changes in net position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the listing of management and government officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Watkins Uiberall, PLLC

Memphis, Tennessee
December 22, 2022

This section of the Emergency Communications District of Shelby County, Tennessee, (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The District is presented as a component unit of Shelby County Government, located in Shelby County, Tennessee. The District was authorized in November 1984, as provided for in Chapter 867, of the Public Acts of 1984. The District provides for the network, 9-1-1 Controller and Call Taking equipment for each Public Safety Answering Point within Shelby County, Tennessee. The costs of these are funded by monthly telephone subscriber service fees.

### *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial report includes the financial statements, notes to the financial statements and required and other supplementary information. The statement of net position presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between these reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information on activities as well as other cash sources and cash payments such as investment income and capital additions.

### *Financial Highlights*

District's Net Position as of June 30

| | 2022 | 2021 |
|---|---|---|
| Current assets | $ 47,504,754 | $ 42,694,634 |
| Capital assets, net | 2,610,588 | 3,385,098 |
| Net pension asset | 679,445 | 264,183 |
| Total assets | 50,794,787 | 46,343,915 |
| Deferred outflows of resources | 128,796 | 101,396 |
| Current liabilities | 476,685 | 300,409 |
| Noncurrent liability | 556,550 | 159,241 |
| Total liabilities | 1,033,235 | 459,650 |
| Deferred inflows of resources | 348,396 | 8,128 |
| Investment in capital assets | 2,120,314 | 3,385,098 |
| Net position restricted for pension asset | 341,349 | 264,183 |
| Unrestricted net position | 47,080,289 | 42,328,252 |
| Total net position | $ 49,541,952 | $ 45,977,533 |

District's Changes in Net Position for the Year Ended June 30

| | 2022 | 2021 |
|---|---|---|
| Operating revenues | $ 14,046,526 | $ 14,300,512 |
| Operating expenses | 9,968,273 | 8,607,191 |
| Operating income | 4,078,253 | 5,693,321 |
| Non-operating revenue (loss) | (513,834) | 85,088 |
| Change in net position | $ 3,564,419 | $ 5,778,409 |

### *Operating and Non-Operating Revenues*

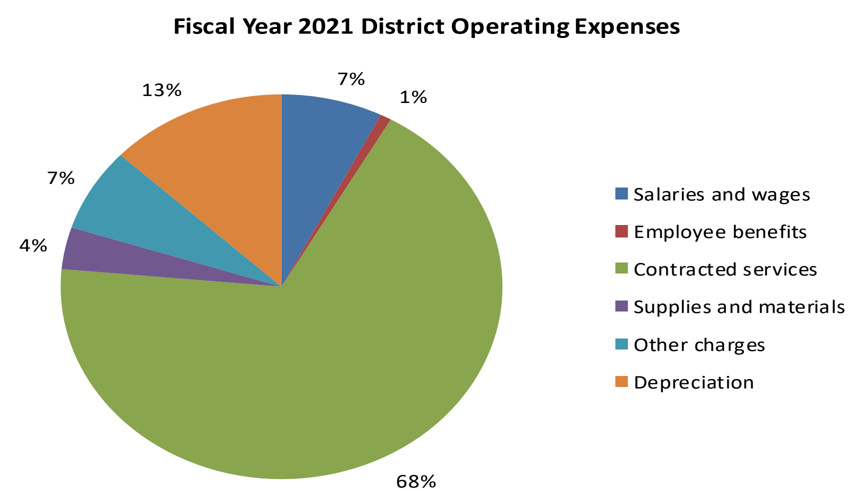
The District's total operating revenue was $14,046,526 for the year ended June 30, 2022.

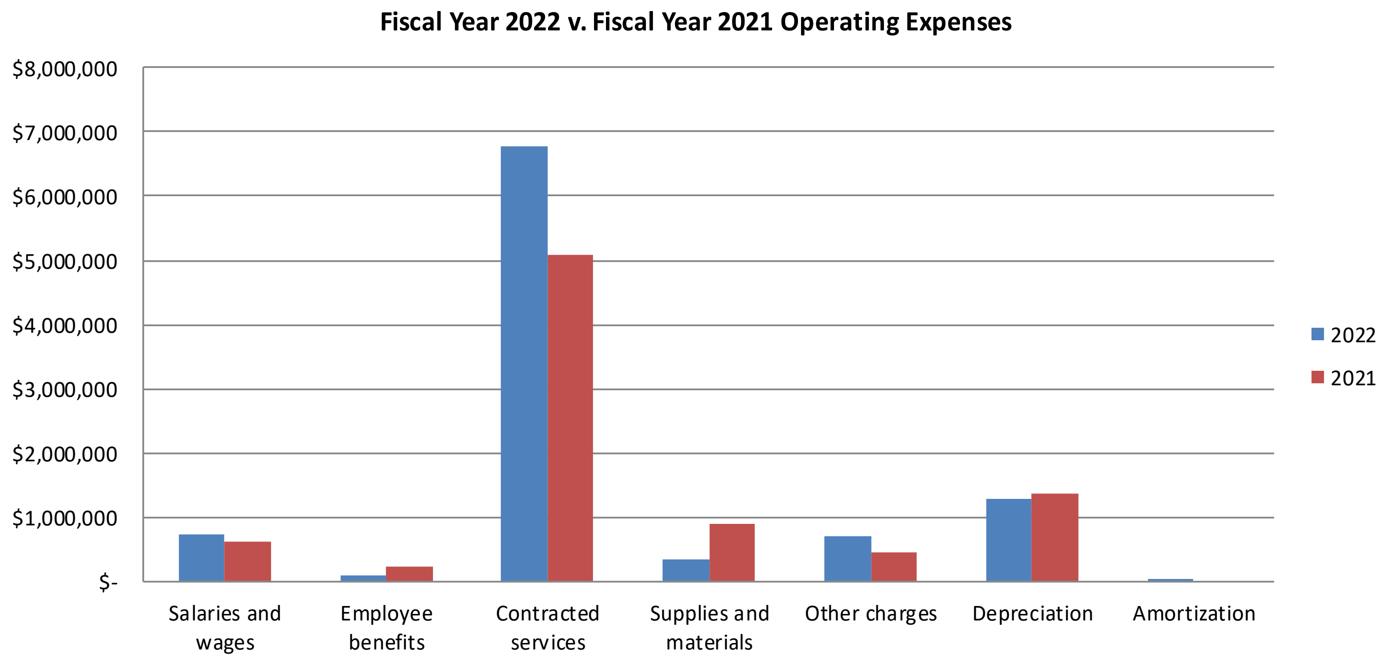
Subscriber fees – the emergency telephone service charge – for 2022 amounted to $9,327,186 for base TECB funding distributions, which was unchanged from the prior year. The District also received $800,626 from TECB for excess revenue distributions as well as a TECB controller subsidy in the amount of $408,000 and TECB surcharge subsidies in the amount of $3,510,714. The excess revenue distributions received by the District from TECB decreased by $253,986 from the prior year. The controller subsidy distribution was unchanged from the prior year. The surcharge subsidies increased by $1,755,357 from the prior year. Overall, the District's operating revenues decreased by $253,986 (2%) from the prior year.

During 2022, the District had a non-operating loss of ($513,834), a decrease of $428,746 from the prior year non-operating revenue of $85,088. Non-operating revenues consist of investment income, changes in fair value of investments, and a gain on disposal of fixed asset.

### *Operating Expenses*

Operating expenses of the District increased to $9,968,273 for 2022 compared with $8,607,191 FY 2021, primarily due to increased contracted services for PSAPs.






## 9-1-1 Service Fees

9-1-1 adjusted service fee rates took effect January 1, 2015. The Tennessee General Assembly passed the 9-1-1 Funding Modernization and IP Transition Act of 2014 (“the Act”) on April 25, 2014. The Act, effective January 1, 2015, updates the existing model for funding the District to account for changes in technology and consumer choice by establishing a single, uniform 9-1-1 surcharge rate.

The new uniform rate accounts for advancements in technology needed to provide Tennesseans with prompt and accurate 911 services and it is intended to adequately fund local 911 services in light of the ongoing reduction of landline use across the State of Tennessee. Accordingly, Shelby County residential and business lines, previously charged at $0.65 and $2.00 per month, respectively, were adjusted to $1.16 per month. The cellular 9-1-1 surcharge was also adjusted from $1.00 to $1.16 per month.

The Act also supports the state’s Next Generation 9-1-1 program. Next Generation 9-1-1 will provide better information and data to first responders, which allows local 9-1-1 operators to more quickly assess an emergency and ensure that the necessary equipment and personnel can promptly respond to the scene.

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Statement of Net Position**
**For the Year Ended June 30, 2022**

| | 2022 | 2021 |
|---|---|---|
| **Assets:** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 8,348,983 | $ 9,394,596 |
| Investments | 39,037,426 | 33,215,952 |
| Accrued interest receivable | 68,619 | 66,911 |
| Prepaid expenses | 49,726 | 16,150 |
| **Total current assets** | 47,504,754 | 42,694,634 |
| Noncurrent assets | | |
| Capital Assets Being Depreciated and Amortized | | |
| Communications equipment | 7,142,270 | 7,113,925 |
| Vehicles | 64,615 | 64,615 |
| Furniture and fixtures | 106,139 | 106,139 |
| Leasehold improvements | 73,553 | 73,553 |
| Right of use asset | 536,998 | - |
| Total capital assets being depreciated and amortized | 7,923,575 | 7,358,232 |
| Less accumulated depreciation and amortization | (5,312,987) | (3,973,134) |
| Net capital assets being depreciated and amortized | 2,610,588 | 3,385,098 |
| Net pension asset | 679,445 | 264,183 |
| **Total noncurrent assets** | 3,290,033 | 3,649,281 |
| **Total assets** | 50,794,787 | 46,343,915 |
| **Deferred Outflows Of Resources:** | | |
| Related to pension | 120,205 | 91,414 |
| Related to OPEB | 8,591 | 9,982 |
| **Total deferred outflows of resources** | 128,796 | 101,396 |
| **Liabilities:** | | |
| Current Liabilities | | |
| Accounts payable | $ 349,975 | 297,648 |
| Other accrued expenses | 33,348 | 2,761 |
| Current portion of lease liability | 93,362 | - |
| **Total current liabilities** | 476,685 | 300,409 |
| Noncurrent Liability | | |
| Lease Liability | 396,912 | - |
| Compensated absences payable | 93,649 | 89,729 |
| OPEB liability | 65,989 | 69,512 |
| **Total noncurrent liabilities** | 556,550 | 159,241 |
| **Total liabilities** | 1,033,235 | 459,650 |
| **Deferred Inflows Of Resources:** | | |
| Related to pension | 338,096 | 5,970 |
| Related to OPEB | 10,300 | 2,158 |
| **Total deferred inflows of resources** | 348,396 | 8,128 |
| **Net Position:** | | |
| Net investment in capital assets | 2,120,314 | 3,385,098 |
| Net position restricted for pension asset | 341,349 | 264,183 |
| Unrestricted | 47,080,289 | 42,328,252 |
| **Total net position** | $ 49,541,952 | $ 45,977,533 |

The accompanying notes are an integral part of the financial statements.

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Statement of Revenues, Expenses, and Changes in Net Position**
**For the Year Ended June 30, 2022**

| | |
|---|---|
| **Operating Revenues** | |
| TECB distribution of 911 surcharges (base amount) | $ 9,327,186 |
| TECB distribution of excess revenue | 4,719,340 |
| Total operating revenues | 14,046,526 |
| **Operating Expenses** | |
| Salaries and wages | 735,448 |
| Employee benefits | 81,510 |
| Contracted services | 6,766,401 |
| Supplies and materials | 350,256 |
| Other charges | 694,805 |
| Depreciation | 1,290,284 |
| Amortization | 49,569 |
| **Total operating expenses** | 9,968,273 |
| **Operating income** | 4,078,253 |
| **Non-Operating Revenues (Expenses)** | |
| Investment income | 348,085 |
| Net decrease in the fair value of investments | (859,224) |
| Interest expense | (2,695) |
| **Total non-operating revenue (expense)** | (513,834) |
| **Change in net position** | 3,564,419 |
| Net position - beginning | 45,977,533 |
| Net position - ending | $ 49,541,952 |

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Statement of Cash Flows**
**For the Year Ended June 30, 2022**

| | | |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash received from customers | $ | 14,045,843 |
| Cash payments to suppliers | | (7,762,124) |
| Cash payments to employees | | (918,955) |
| **Net cash from operating activities** | | 5,364,764 |
| | | |
| **Cash Flows Used For Capital and Related Financing Activities** | | |
| Purchases of capital assets | | (28,345) |
| Payments to reduce lease liability | | (46,626) |
| Payments for interest on lease liability | | (2,793) |
| **Net cash used for capital and related financing activities** | | (77,764) |
| | | |
| **Cash Flows From Investing Activities** | | |
| Purchase of investments | | (59,315,755) |
| Proceeds from maturities of investments | | 52,635,057 |
| Investment income received | | 348,085 |
| **Net cash used for investing activities** | | (6,332,613) |
| | | |
| **Net decrease in cash and cash equivalents** | | (1,045,613) |
| | | |
| Cash and cash equivalents at beginning of the year | | 9,394,596 |
| | | |
| Cash and cash equivalents at end of the year | $ | 8,348,983 |
| | | |
| **Reconciliation of Operating Income to Net Cash From Operating Activities** | | |
| Operating income | $ | 4,078,253 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | | |
| Depreciation | | 1,290,284 |
| Amortization | | 49,569 |
| Employer contributions in excess of pension expense | | (111,922) |
| OPEB expense in excess of employer contributions | | 6,005 |
| Changes in Assets and Liabilities: | | |
| Accounts receivable | | (683) |
| Prepaid expense | | (33,576) |
| Accounts payable | | 82,914 |
| Compensated absences payable | | 3,920 |
| **Total adjustments** | | 1,286,511 |
| | | |
| **Net cash from operating activities** | $ | 5,364,764 |
| | | |
| **Noncash Investing And Financing Activities** | | |
| Decrease in fair value of investments | $ | (859,224) |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Organization and Nature of Operations*

The Emergency Communications District of Shelby County, Tennessee (the “District”) was established on November 21, 1984, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County, Tennessee. The District is governed by a nine-member board of directors, which is nominated by the Mayor of Shelby County, Tennessee, and approved by the Board of Commissioners of Shelby County, Tennessee. The State of Tennessee has the authority to levy an emergency telephone service charge to be used to fund the operation of the District. The District’s financial statements are reported as a component unit of Shelby County, Tennessee.

### *Measurement Focus, Basis, and Method of Accounting*

The District is accounted for as a proprietary fund. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Proprietary funds are accounted for using the economic resources measurement and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues in the proprietary fund are those revenues that are generated from the principal ongoing operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District and include administrative expenses and depreciation on capital assets. All other expenses are reported as non-operating expenses.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the District’s policy is to consider restricted amounts to have been reduced first.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Revenue Recognition*

Emergency telephone service charge fees are recognized as revenue when earned. The State of Tennessee Emergency Communication Board (“TECB”) shared wireless charges and operational funding are recognized in the period earned.

The District is primarily funded by fees collected through the Tennessee Emergency Communications Board.

### *Cash and Cash Equivalents*

For statement of cash flow purposes, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

### *Investments*

Investments are stated at fair market value.

### *Capital Assets*

Capital assets are stated at acquisition cost, if purchased, and estimated fair value at the date of the contribution, if contributed. The District defines capital assets as assets with an initial individual cost of at least $10,000. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

### *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has pension and other postemployment qualifying items for reporting in these categories.

### *Compensated Absences*

District employees are granted sick and annual leave in varying amounts in accordance with administrative policies. No more than twice the annual amount of vacation may be accumulated at any one time. Vacation may be accumulated in an excessive amount only if the vacation request has been denied based on the needs of the District office. Payment in lieu of vacation will only be allowed upon separation or other termination of employment. Remaining vacation will be paid to the designated beneficiary in the event of death of the employee. Generally, employees are reimbursed for accumulated sick leave, not to exceed 75 days, only upon retirement.

### *Pensions*

For purposes of measuring the net pension liability/(asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

### *Net Position*

The District recognizes the difference between its assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position categories include:

*Investment in capital assets* - consists of capital assets, including restricted capital assets, net of accumulated depreciation and any related debt.

*Restricted net position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.

*Unrestricted* – remaining balance of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### *Income Tax Exemption*

The District is exempt from federal income tax under Section 115 of the Internal Revenue Code, and therefore, no allowance for federal income taxes is included in the financial statements.

### *Change in Accounting Principle*

Effective July 1, 2021, the District implemented accounting and financial reporting requirements of GASB 87. This statement establishes a single model for lease accounting based on the principle that a lease is a financing of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. At July 1, 2021, the District recognized a right-to-use asset of $536,998 and lease liability of $536,998. There was no effect to net position as a result of the adoptions of this statement.

### *Date of Management's Review*

The District evaluated its June 30, 2022 financial statements for subsequent events through December 22, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## 2. BUDGETARY INFORMATION

The Director prepares a preliminary annual budget compiled from revenue and expense projections. The Board of Directors must pass the preliminary budget on two readings before it is adopted and becomes the approved budget for the District. The first reading takes place during the April meeting with a public hearing, and the second reading is during the June meeting. The budget can be amended during the year as the Director deems necessary. The Director presents proposed budget amendments to the Board by line item during Board meetings. The amendments are discussed and then voted upon during the meetings. When amendments are passed, the Director makes adjustments to his budget to include the newly approved amendments.

## 3. CASH AND CASH EQUIVALENTS, FAIR VALUE MEASUREMENTS AND INVESTMENTS

Statutes authorize the District to invest in obligations of the United States Treasury, obligations guaranteed as to principal and interest by the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks, savings and loan associations, federal chartered banks, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, banker's acceptances meeting specific rating criteria, commercial paper meeting specific rating criteria, and the state pooled investment fund.

Statutes also require that securities underlying repurchase agreements must have a fair market value at least equal to the amount of funds invested in the repurchase transaction.

The District's deposits are entirely covered by federal deposit insurance corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to financial institutions in the collateral pool in the event that the pool's funds would be insufficient to cover a loss. The District limits its exposure to interest rate risk by diversifying its investments.

At year end, the District had the following investments and maturities:

| | | Investments and Maturities (in years) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | More than 1 | Concentration |
| Corporate Bonds | $ 815,660 | $ - | $ 815,660 | 2% |
| Government Sponsored | 31,100,744 | 22,938,425 | 8,162,319 | 80% |
| Municipal Bonds | 7,022,444 | 6,961,571 | 60,873 | 18% |
| US Treasury Bonds | 98,578 | 98,578 | - | 0% |
| | $ 39,037,426 | $ 29,998,574 | $ 9,038,852 | 100% |

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

| Investment Type | Rating | Percentage |
|---|---|---|
| Corporate Bonds | NR- A3 | 2.49% |
| Government Sponsored | Aaa | 79.67% |
| Municipal Bonds | Aaa | 17.99% |
| US Treasury Bonds | Aaa | 0.25% |

Generally accepted accounting principles establish a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the District has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 –Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The District's investments are all valued using inputs that can be corroborated by observable market data. The following table sets forth by level within the fair value hierarchy, the District's investments at fair value as of June 30, 2022:

| Investment Type | Level 1 | Level 1 | Total |
|---|---|---|---|
| Corporate Bonds | $ - | $ 815,660 | $ 815,660 |
| Government Sponsored | 1,649,749 | 29,450,996 | 31,100,745 |
| Municipal Bonds | - | 7,022,443 | 7,022,443 |
| US Treasury Bonds | 98,578 | - | 98,578 |
| | $ 1,748,327 | $ 37,289,099 | $ 39,037,426 |

## 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets, Being Depreciated: | | | | |
| Equipment | $ 7,113,925 | $ 28,345 | $ - | $ 7,142,270 |
| Vehicles | 64,615 | - | - | 64,615 |
| Furniture and fixtures | 106,139 | - | - | 106,139 |
| Leasehold improvements | 73,553 | - | - | 73,553 |
| Total capital assets being depreciated | 7,358,232 | 28,345 | - | 7,386,577 |
| Less Accumulated Depreciation for: | | | | |
| Equipment | 3,814,139 | 1,280,107 | - | 5,094,246 |
| Vehicles | 41,167 | 1,615 | - | 42,782 |
| Furniture and fixtures | 95,887 | 6,700 | - | 102,587 |
| Leasehold improvements | 21,941 | 1,862 | - | 23,803 |
| Total accumulated depreciation | 3,973,134 | 1,290,284 | - | 5,263,418 |
| Capital Asset, Being Amortized: | | | | |
| Right of use asset | - | 536,998 | - | 536,998 |
| Less Accumulated Amortization for: | | | - | |
| Right of use asset | - | 49,569 | - | 49,569 |
| Total capital assets, net | $ 3,385,098 | $ (774,510) | $ - | $ 2,610,588 |

## 5. LEASE LIABILITY

The District rents office space. The lease liability and related right of use asset arising from this lease are recorded on the books of the District. Information regarding this lease liability is as follows:

| | |
|---|---|
| Lease payable for office space, computed using the estimated incremental borrowing rate of 1.260 percent with monthly lease payments of $8,237 January 2022 through May 2023; $8,401 June 2023 through May 2024; $8,569 June 2024 through May 2025; $8,741 June 2025 through May 2026, and $8,915 June 2026 through maturity at May 2027. | $ 490,274 |
| Less: Current portion | (93,362) |
| Long-term lease liability | $ 396,912 |

Principal and interest payments due on the lease for the next five years ending June 30 are as follows:

| | Interest | Principal |
|---|---|---|
| 2023 | $ 5,640 | $ 93,362 |
| 2024 | 4,446 | 96,537 |
| 2025 | 3,211 | 99,792 |
| 2026 | 1,934 | 103,128 |
| 2027 | 615 | 97,455 |
| | $ 15,846 | $ 490,274 |

## 6. PENSION

### General Information about the Pension Plan

*Plan description.* Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operations and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at Reporting and Investment Policies (tn.gov).

*Benefits provided.* Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms.* At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 5 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | 6 |
| | 11 |

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees of the District are non-contributory. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions for the District were $23,919 based on a rate of 3.27 percent of covered payroll. By law, employer contributions are required to be paid. The District also contributed an excess contribution totaling $34,593 during the year ended June 30, 2022. The TCRS may intercept the District's state shared taxes, as applicable, if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The District's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability (asset) as of June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25 percent |
| Salary increases | Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expenses, including inflation |
| Cost-of-Living adjustment | 2.125 percent |
| Mortality rates | Based on actual experience including an adjustment for anticipated improvement. |

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions*. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---|---|---|
| U.S. equity | 4.88% | 31% |
| Developed market international equity | 5.37% | 14% |
| Emerging market international equity | 6.09% | 4% |
| Private equity and strategic lending | 6.57% | 20% |
| U.S. fixed income | 1.20% | 20% |
| Real estate | 4.38% | 10% |
| Short-term securities | 0.00% | 1% |
| | | 100% |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability (asset) was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Changes in Net Pension Liability**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability/(Asset) | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2020 | $ 1,838,842 | $ 2,103,025 | $ (264,183) |
| Changes for the year: | | | |
| Service cost | 43,728 | - | 43,728 |
| Interest | 135,205 | - | 135,205 |
| Differences between expected and actual experience | (59,156) | - | (59,156) |
| Changes in assumptions | 76,756 | - | 76,756 |
| Contributions - employer | - | 65,940 | (65,940) |
| Net investment income | - | 546,392 | (546,392) |
| Benefit payments, including refunds of employee contributions | (35,352) | (35,352) | - |
| Administrative expense | - | (537) | 537 |
| Net changes | 161,181 | 576,443 | (415,262) |
| Balance at June 30, 2021 | $ 2,000,023 | $ 2,679,468 | $ (679,445) |

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability (asset) of the District calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| District's net pension liability (asset) | $ (432,303) | $ (679,445) | $ (888,583) |

**Pension Expense (Negative Pension Expense), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

*Pension expense (negative pension expense).* For the year ended June 30, 2022, the District recognized negative pension expense of $53,415.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 4,126 | $ 46,810 |
| Net difference between projected and actual earnings on pension plan investments | - | 291,286 |
| Changes in assumptions | 57,567 | - |
| Contributions subsequent to the measurement date of June 30, 2021 | 58,512 | - |
| Total | $ 120,205 | $ 338,096 |

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ending June 30 as follows:

| | |
|---|---|
| 2023 | (69,110) |
| 2024 | (63,674) |
| 2025 | (65,058) |
| 2026 | (78,567) |

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

## 7. OTHER POSTEMPLOYEMENT BENEFITS (OPEB)

*Plan description*. Employees of the District are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

*Benefits Provided.* The District offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

*Employees covered by benefit terms* – At July 1, 2021, the following employees of the District were covered by the benefit terms of the LGOP:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees eligible for future benefits | 3 |
| Active employees not eligible for future benefits* | 3 |
| | 6 |

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2022, the District paid $352 to the LGOP for OPEB benefits as they came due.

## Total OPEB Liability

*Actuarial assumptions.* The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.25% |
| Salary Increases | Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent. |
| Healthcare Cost Trend Rates | 7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over an 8 year period to an ultimate rate of 4.50%. |
| Retiree's share of benefit-related costs | Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered. |

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

*Discount rate.* The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

## Changes in the Total OPEB Liability

| | | |
|---|---|---|
| Service cost | $ | 4,457 |
| Interest | | 1,631 |
| Changes of benefit items | | - |
| Differences between expected and actual experience | | 386 |
| Changes in assumptions | | (9,645) |
| Benefit payments, including refunds | | (352) |
| Net change in total OPEB liability | | (3,523) |
| Total OPEB liability - beginning | | 69,512 |
| Total OPEB liability - ending | $ | 65,989 |

*Changes in assumptions* - The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

*Sensitivity of total OPEB liability to changes in the discount rate* - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. (expressed in thousands)

| | 1% Decrease (1.16%) | Current Discount Rate Assumption (2.16%) | 1% Increase (3.16%) |
|---|---|---|---|
| Total OPEB liability (asset) | $ 72,124 | $ 65,989 | $ 60,077 |

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rate* - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands)

| | 1% Decrease (6.36%/6.32% down to 3.50% | Current Healthcare Cost Trend Rate Assumption (7.36%/7.32% down to 4.50%) | 1% Increase (8.36%/8.32% down to 5.50%) |
|---|---|---|---|
| Total OPEB liability (asset) | $ 55,634 | $ 65,989 | $ 77,251 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

*OPEB Expense-* For the fiscal year ended June 30, 2022, the District recognized OPEB expense of $6,332.

*Deferred outflows of resources and deferred inflows of resources.* For the fiscal year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 1,252 | $ (1,593) |
| Changes in assumptions and other inputs | 7,017 | (8,707) |
| Contributions/Benefits Paid After the Measurement Date | 322 | - |
| Total | $ 8,591 | $ (10,300) |

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense for the years ending June 30 as follows:

| | | |
|---|---|---|
| 2023 | $ | 244 |
| 2024 | | 244 |
| 2025 | | 244 |
| 2026 | | 256 |
| 2027 | | (96) |
| Thereafter | | (2,623) |

In the table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

## 8. OPERATIONAL FUNDING PROGRAM

The Tennessee General Assembly passed the 9-1-1 Funding Modernization and IP Transition Act of 2014 ("the Act") on April 25, 2014. The Act, effective January 1, 2015, updates the existing model for funding the District to account for changes in technology and consumer choice by establishing a single, uniform 9-1-1 surcharge rate. The new single surcharge rate is $1.16 per line per month. The surcharge is remitted to the TECB directly. The TECB funds each emergency communications district in the State of Tennessee in accordance with Tennessee Code Annotated, Section 7-86-303, which establishes a base funding amount to each district based upon their pro-rata share of 9-1-1 funding surcharges for fiscal years 2010, 2011, and 2012, provided that the funding amount shall not be less than the amount the District received in fiscal year 2012. The TECB has published the base amount for each emergency communications district, such base amount to be paid to each district in 6 equal installments on a bi-monthly basis. The annual base funding for the District is $9,327,186.

In addition to the funding noted above, Tennessee Code Annotated section 7-86-130 stipulates that any 9-1-1 surcharge revenue collected in excess of the annual fiscal requirements of the TECB and the mandatory bi-monthly payments to emergency communications districts shall not revert to the general fund of the State, but rather the TECB shall distribute a minimum of 50% of this excess to the emergency communications districts in accordance with TECB policies.

## 9. REIMBURSEMENT TO MUNICIPALITIES

The District reimburses the municipalities participating in the emergency telephone service system for certain equipment purchases. The District reimburses for equipment purchases if the equipment was purchased within the individual municipality's purchasing guidelines and if the District had budgeted for the equipment reimbursement. The District also pays for the municipalities' usage of a language line service that assists in translating foreign language speaking callers. Reimbursements for language line service are based on the number of minutes the service has utilized. Included in contracted services are total equipment reimbursement payments of $5,149,947 for the year ended June 30, 2022.

## 10. COMMITMENTS

### Construction Commitments

During 2022, the District entered into contracts for the construction of certain PSAP assets which are not the property of the District. Total commitments outstanding as of June 30, 2022 were $1,706,521. It is anticipated that sufficient funds will be available for completion of the construction in process and other planned projects.

## 11. RISK MANAGEMENT

The District is exposed to potential loss including theft, property damage, public liability, or breach of contract. The District maintains commercial insurance policies in force to handle the above exposures. Insurance settlements have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to prior years.

## 12. INTERLOCAL COOPERATION AGREEMENTS

During 2010, the District as recommended by the TECB entered into Interlocal Cooperation Agreements with local municipalities. The municipalities agreed to, at no cost to the District, supply a reasonable space at their PSAPs and/or dispatch centers for the District to place and install their equipment that is necessary for its purpose in providing emergency communications. The District agreed to maintain, repair, and replace the equipment as necessary. The District may also provide funds for the training of the municipalities' personnel for 9-1-1 purposes. The District may also contribute funds towards the cost of equipment used by the municipalities for 9-1-1 purposes, assist in funding the cost of replacing or relocating the PSAPs, or other similar actions. The original agreements became effective July 1, 2010 and ranged from 1 to 4 year agreements, with an optional 1 year for each year thereafter.

# REQUIRED SUPPLEMENTARY INFORMATION

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**
**Based on Participation in the Public Employee Pension Plan of TCRS**
**For the Year Ended June 30***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | |
| Service cost | $ 43,728 | $ 41,284 | $ 39,009 | $ 36,874 | $ 32,222 | $ 30,779 | $ 29,164 | $ 34,503 |
| Interest | 135,205 | 124,914 | 116,654 | 108,693 | 97,907 | 92,039 | 86,054 | 75,524 |
| Differences between actual & expected experience | (59,156) | 8,252 | (9,772) | (4,333) | 55,751 | (13,653) | (4,986) | 66,871 |
| Changes of assumptions | 76,756 | - | - | - | 36,138 | - | - | - |
| Benefit payments, including refunds of employee contributions | (35,352) | (34,558) | (33,913) | (33,216) | (32,532) | (32,210) | (31,891) | (30,412) |
| Net change in total pension liability | 161,181 | 139,892 | 111,978 | 108,018 | 189,486 | 76,955 | 78,341 | 146,486 |
| Total pension liability - beginning | 1,838,842 | 1,698,950 | 1,586,972 | 1,478,954 | 1,289,468 | 1,212,513 | 1,134,172 | 987,686 |
| Total pension liability - ending | $ 2,000,023 | $ 1,838,842 | $ 1,698,950 | $ 1,586,972 | $ 1,478,954 | $ 1,289,468 | $ 1,212,513 | $ 1,134,172 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | $ 65,940 | $ 65,940 | $ 261,105 | $ 184,674 | $ 77,396 | $ 62,919 | $ 59,992 | $ 59,153 |
| Net investment income | 546,392 | 98,654 | 128,911 | 118,224 | 135,029 | 29,826 | 32,732 | 147,125 |
| Benefit payments, including refunds of employee contributions | (35,352) | (34,558) | (33,913) | (33,216) | (32,532) | (32,210) | (31,891) | (30,412) |
| Administrative expense | (537) | (532) | (534) | (570) | (509) | (454) | (305) | (264) |
| Net change in plan fiduciary net position | 576,443 | 129,504 | 355,569 | 269,112 | 179,384 | 60,081 | 60,528 | 175,602 |
| Plan fiduciary net position - beginning | 2,103,025 | 1,973,521 | 1,617,952 | 1,348,840 | 1,169,456 | 1,109,375 | 1,048,847 | 873,245 |
| Plan fiduciary net position - ending | $ 2,679,468 | $ 2,103,025 | $ 1,973,521 | $ 1,617,952 | $ 1,348,840 | $ 1,169,456 | $ 1,109,375 | $ 1,048,847 |
| Net Pension Liability/(Asset) | $ (679,445) | $ (264,183) | $ (274,571) | $ (30,980) | $ 130,114 | $ 120,012 | $ 103,138 | $ 85,325 |
| Plan Fiduciary Net Position As A Percentage of Total Pension Liability | 133.97% | 114.37% | 116.16% | 101.95% | 91.20% | 90.69% | 91.49% | 92.48% |
| Covered Payroll | $ 599,460 | $ 599,460 | $ 559,931 | $ 530,802 | $ 502,898 | $ 437,243 | $ 416,900 | $ 397,532 |
| Net Pension Liability (Asset) As A Percentage of Covered Payroll | -113.34% | -44.07% | -49.04% | -5.84% | 25.87% | 27.45% | 24.74% | 21.46% |

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Schedule of Contributions**
**Based on Participation in the Public Employee Pension Plan of TCRS (Continued)**
**For the Year Ended June 30***

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 23,919 | $ 23,918 | $ 49,336 | $ 172,329 | $ 81,743 | $ 72,367 | $ 62,919 | $ 59,992 | $ 59,153 |
| Contributions in relation to the actuarially determined contribution | 58,512 | 65,940 | 65,940 | 261,105 | 184,678 | 77,396 | 62,919 | 59,992 | 59,153 |
| Contribution deficiency (excess) | $ (34,593) | $ (42,022) | $ (16,604) | $ (88,776) | $ (102,935) | $ (5,029) | $ - | $ - | $ - |
| Covered payroll | $ 731,460 | $ 599,460 | $ 599,460 | $ 559,931 | $ 530,802 | $ 502,898 | $ 437,243 | $ 416,900 | $ 397,532 |
| Contributions as a percentage of covered payroll | 8.00% | 11.00% | 11.00% | 46.63% | 34.79% | 15.39% | 14.39% | 14.39% | 14.88% |

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**NOTES TO SCHEDULE**

*Valuation date:* Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020, actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | Varies by year |
| Asset valuation | 10-year smoothed within a 20 percent corridor to market value |
| Inflation | 2.50 percent |
| Salary increases | Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent |
| Investment Rate of Return | 7.25 percent, net of investment expense, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.25 percent |

*Changes of assumptions*: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Schedule of Changes in Total OPEB Liability and Related Ratios**
**For the Year Ended June 30***

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Total OPEB Liability:** | | | | | |
| Service cost | $ 4,457 | $ 1,121 | $ 1,142 | $ 1,124 | $ 1,197 |
| Interest | 1,631 | 619 | 499 | 444 | 337 |
| Changes in benefit terms | - | 44,614 | - | - | - |
| Differences between actual and expected experience | 386 | (1,266) | 1,540 | (1,393) | - |
| Changes of assumptions | (9,645) | 8,077 | 1,024 | 1,390 | (382) |
| Benefit payments, including refunds | (352) | (316) | (342) | (248) | - |
| Net change in total OPEB liability (asset) | (3,523) | 52,849 | 3,863 | 1,317 | 1,152 |
| Total OPEB liability-beginning | 69,512 | 16,663 | 12,800 | 11,483 | 10,331 |
| Total OPEB liability-ending | $ 65,989 | $ 69,512 | $ 16,663 | $ 12,800 | $ 11,483 |
| **Covered payroll** | $277,982 | $277,982 | $467,807 | $441,362 | $411,921 |
| **Total OPEB liability as a percentage of covered payroll** | 23.74% | 25.01% | 3.56% | 2.90% | 2.79% |

**NOTES TO SCHEDULE**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

# OTHER SUPPLEMENTARY INFORMATION

## Emergency Communications District of Shelby County, Tennessee
## (A Component Unit of Shelby County, Tennessee)
## Budgetary Comparison Schedule
## Year Ended June 30, 2022

| | Budgeted Amounts | | | Variance with Final Budget - Increase |
|---|---|---|---|---|
| | Original | Final | Actual | (Decrease) |
| **Operating Revenues** | | | | |
| TECB distribution of 911 surcharges (base amount) | $ 12,837,900 | $ 12,837,900 | $ 9,327,186 | $ (3,510,714) |
| TECB distribution of excess revenue | 1,054,612 | 800,626 | 4,719,340 | 3,918,714 |
| Other operating revenue | 408,000 | 408,000 | - | (408,000) |
| **Total operating revenues** | 14,300,512 | 14,046,526 | 14,046,526 | - |
| **Operating Expenses** | | | | |
| **Salaries and wages** | | | | |
| Director | 147,800 | 159,861 | 159,861 | - |
| Administrative personnel | 551,660 | 821,600 | 571,666 | (249,934) |
| Vacation and compensated expenses | 50,000 | 54,994 | 3,921 | (51,073) |
| **Total salaries and wages** | 749,460 | 1,036,455 | 735,448 | (301,007) |
| **Employee benefits** | | | | |
| Social security | 50,000 | 56,000 | 55,399 | (601) |
| Life insurance | - | - | 18,685 | 18,685 |
| Medical and dental insurance | 110,000 | 120,715 | 54,826 | (65,889) |
| Other insurance | 27,100 | 29,987 | - | (29,987) |
| Auto Allowance | 1,300 | 1,300 | - | (1,300) |
| OPEB expense | - | - | 6,010 | 6,010 |
| Retirement contributions | 60,000 | 80,000 | (53,410) | (133,410) |
| **Total employee benefits** | 248,400 | 288,002 | 81,510 | (206,492) |
| **Contracted services** | | | | |
| Addressing / mapping & PSAP equipment reimbursements | 20,213,650 | 15,377,150 | 2,510,611 | (12,866,539) |
| Audit services | 21,000 | 21,000 | 20,000 | (1,000) |
| Accounting services | 25,000 | 123,000 | 23,164 | (99,836) |
| Administrative Fees - Telephone | 500 | 500 | - | (500) |
| Language line | 110,000 | 155,000 | 147,906 | (7,094) |
| Contracts with private agencies | 590,000 | 635,000 | 322,225 | (312,775) |
| Legal services | 217,050 | 217,050 | 145,729 | (71,321) |
| Maintenance agreements | 1,356,325 | 304,724 | 24,434 | (280,290) |
| Lease/rental - communications equipment | 4,534,628 | 4,327,153 | 2,474,492 | (1,852,661) |
| Lease/rental - building and facilities | 121,100 | 123,000 | 59,194 | (63,806) |
| Lease/rental - office equipment | 6,000 | 6,000 | 1,666 | (4,334) |
| Maintenance and repairs - communications | 295,000 | 1,321,601 | 1,034,804 | (286,797) |
| Maintenance and repairs - building and facilities | 30,500 | 30,500 | 1,175 | (29,325) |
| Maintenance and repairs - office equipment | 6,000 | 6,000 | 1,001 | (4,999) |
| **Total contracted services** | 27,526,753 | 22,647,678 | 6,766,401 | (15,881,277) |

**Emergency Communications District of Shelby County, Tennessee**
**(A Component Unit of Shelby County, Tennessee)**
**Budgetary Comparison Schedule**
**Year Ended June 30, 2022**

| | Budgeted Amounts | | | Variance with Final Budget - Increase |
|---|---|---|---|---|
| | Original | Final | Actual | (Decrease) |
| **Supplies and materials** | | | | |
| Fuel | $ 14,650 | $ 20,650 | $ 14,341 | $ (6,309) |
| Office supplies | 205,900 | 107,900 | 76,592 | (31,308) |
| Small equipment purchases | 182,000 | 220,000 | 240,817 | 20,817 |
| Utilities - cell phones | 76,860 | 76,860 | 18,506 | (58,354) |
| **Total supplies and materials** | 479,410 | 425,410 | 350,256 | (75,154) |
| **Other charges** | | | | |
| Payroll processing fees | 2,560 | 2,560 | 2,355 | (205) |
| Board meeting expenses | 7,800 | 7,800 | 1,727 | (6,073) |
| Data Processing | - | 100,000 | - | (100,000) |
| Dues and memberships | 23,600 | 23,600 | - | (23,600) |
| Insurance - workers compensation | 2,600 | 2,600 | 12,694 | 10,094 |
| Insurance - building and contents | 135,000 | 235,000 | 1,189 | (233,811) |
| Insurance - vehicles | - | - | 27,136 | 27,136 |
| Premiums on surety bonds | 15,000 | 15,000 | 7,852 | (7,148) |
| Public education | 245,200 | 240,200 | 13,894 | (226,306) |
| Service awards | 17,500 | 17,500 | 11,221 | (6,279) |
| Software and licensing | 207,050 | 274,825 | 168,574 | (106,251) |
| Training expenses | 1,515,672 | 1,753,877 | 387,607 | (1,366,270) |
| Travel expenses | 132,100 | 132,100 | 60,556 | (71,544) |
| **Total other charges** | 2,304,082 | 2,805,062 | 694,805 | (2,110,257) |
| Depreciation | 1,700,000 | 1,700,000 | 1,290,284 | (409,716) |
| Amortization | - | - | 49,569 | 49,569 |
| **Total operating expenses** | 33,008,105 | 28,902,607 | 9,968,273 | (18,983,903) |
| **Operating income (loss)** | (18,707,593) | (14,856,081) | 4,078,253 | (18,983,903) |
| **Non-Operating Revenues (Expenses)** | | | | |
| Investment income | 225,000 | 225,000 | 348,085 | 123,085 |
| Net decrease in the fair value of investments | - | - | (859,224) | (859,224) |
| Interest expense | - | - | (2,695) | (2,695) |
| **Total non-operating revenue** | 225,000 | 225,000 | (513,834) | (736,139) |
| Change in net position | $ (18,482,593) | $ (14,631,081) | $ 3,564,419 | $ 18,195,500 |

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Emergency Communications District of Shelby County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) (the “District”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 22, 2022

## *Report on Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered The District’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### *Purpose of This Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
December 22, 2022

**Schedule of Findings and Responses**
**For the Year Ended June 30, 2022**

There are no findings reported.

**Summary Schedule of Prior Audit Findings**
**For the Year Ended June 30, 2022**

There are no prior year findings reported.